CHAPTER 4

CRM in Insurance Sector in India
4.1 INTRODUCTION TO CRM

CRM stands for Customer relationship management. It is a strategy which is used to learn more about customers’ needs and behaviors in order to develop stronger relationships with them. CRM is an integrated software application that automates (fully or partially) the process of managing customers commonly in the fields of sales, marketing, and customer relations within the business.

There is no good way of building relations with customers than talking, communicating and liaising with them directly, but sometimes our resources and time just doesn’t make this feasible, often, the customer will end up talking to someone personally, but they may have gone through a system (created using CRM software) that directs them to the person that they need to talk to specifically (the expert you may call them). There are many technical components to CRM, but thinking about CRM in primarily technological terms will be wrong. The more useful way to think about CRM is as a process that will help bring together lots of pieces of information about customers, sales, marketing effectiveness, responsiveness and market trends. CRM helps businesses use technology and human resources to gain insight into the behavior of customers and the value of those customers.

CRM refers to technology enabled processes for customer interaction and relationship building while marketing academicians prefer the term ‘relationship marketing’.

The tremendous growth of interest and investment in CRM across the globe can be attributed to the following macro-environmental factors:

- Emergence of service sector
- Emergence of market economy
- Global orientation of business and
- Aging population of the economically advanced economies.

Firms are investing expansively on CRM, focusing specially on the technology. Yet there has been considerable amount of frustration and disappointment with early efforts to apply technology to various aspect of the customer relationship. Many companies are sponsoring a number of CRM initiatives often with little coordination or clarity of purpose.
The goals of CRM are:-

2. Getting closer to those customers at every point of contact with them.

CRM is a management strategy that unites information technology with marketing. It originated in the United States in the late 1990’s, and, to date, has been accepted in a significant number of companies worldwide. On the other hand, some people have negative opinions of CRM; such views hold that it is difficult to implement successfully and that its cost-benefit performance is low, among others.

4.2 Framework of CRM

“CRM is the business strategy that aims to understand, anticipate, manage and personalize the need of an organization’s current and potential customers”.

Customer Relationship Management (CRM) is an information industry term for methodologies, software, and usually Internet capabilities that help an enterprise manage customer relationships in an organized and efficient manner. In many cases, an enterprise builds a database about its customers. This database describes relationships in sufficient detail so that management, salespeople, and customer service reps can access information; match customer needs with product plans and offerings; remind customers of service requirements; know what other products a customer had purchased; etc.

Relationships are not developed overnight. Until the customer senses some attachment to the company, then no relationship can be said to exist. At best it is a satisfying encounter, which, if it reoccurs often enough, could become a relationship. Thus, relationships are born of successive experiences of customer satisfaction” (Barnes 2001). CRM is a strategy used in competitive environments that combines the information, systems, policies, processes, and employees of an enterprise in an effort to attract and retain profitable customers (Menconi 2001). The relative and marked emergence of CRM as a business strategy has radically transformed the way organizations operates. There has been a shift in business focus from transactional to relationship marketing where the customer is at the center of all business activity and organizations are now desperately trying to restructure
their processes around the needs of their strategically significant customers. Different scholars defined the Relationship Marketing differently. Perhaps the first definition of Relationship marketing: “Relationship Marketing is a strategy to attract, maintain and enhance customer relationship” (Berry 1983).

Some recent definitions are as follows:

“Relationship Management refers to all marketing activities directed towards establishing, developing and maintaining successful relational exchanges” (Morgan and Hunt 1994).

This definition is of special interest since it explicitly is linked to a governance form, i.e. “relational exchange”. Gronroos offers one long and one short definition:

“Relationship marketing is to identify and establish, maintain and enhance and when necessary also to terminate relationships with the customers and other stakeholders, at a profit, so that the objects of all parties involved are met, and that this is done by a mutual exchange and fulfillment of promises” (Gronroos 1994).

Later Gronroos (1996) let relationship marketing to be generic definition of marketing:

“Marketing is to manage the firm’s market relationships”.

“Relationship Marketing is an emergent disciplinary framework for creating, developing and sustaining exchanges of value between the parties involved, whereby exchange relationships evolve to provide continuous and stable links in the supply chain” (Ballantyne 1994).

Paravatiyar (1996) defines relationship marketing as “Relationship marketing is the process of co-operating with the customers to improve marketing productivity through efficiency and effectiveness”.

The most commonly accepted view of marketing has been that offered by American Marketing Association (1985) According to AMA marketing involves the integrated analysis, planning and control of the “marketing mix” variable (product, place, price,
promotion) to create exchange and satisfy both individuals and organizational objectives. However, a number of European academics consider this view of marketing as outdated, relevant only to certain types of firms and markets (Hakansson 1982; Gummesson 1987, 1994; Gronroos 1989, 1990, 1994). Further, they argue the traditional AMA perspective is overly clinical and based solely on short-term economic transactions. Moller (1992), the AMA view also “Presumes primarily a stimulus-response relationship between the firm and its customers (where the customer markets are comprised of passive, independent actors)”. Such criticism has led to the suggestion that a “paradigm shift in marketing is needed if marketing is going to survive as a discipline” (Gronroos 1995).

The “new paradigm” is commonly known as Relationship Marketing and has emerged from number of streams of research.

The first stream examines Marketing from Services context (Berry 1983, 1995; Gronroos 1990), while the second stream focuses on inter-organizational exchange relationships. This stream encompasses both the examination of buyer-seller relationship and in the context of resource dependency theory (Hakansson 1982; Ford 1990) as well as study the constructs underlying inter-organizational relationship, in the context of social exchange theory (Dwyer 1987; Wilson 1995). The third stream of research is based on Channel literature, whereas early interest focused on vertical marketing system (Bucklin 1970). As discussed by Weitz and Jap (1995) current channel has shifted to examine control mechanism and development of effective and efficient channel relationship (Buzzell and Ortmeyer 1995). The fourth stream of research related to relationship marketing examines network relationship (Axelsson 1992; Johnson and Mattson 1985, 1988). In this tradition, the emphasis is on industrial markets and sets of relationships that connect multiple organizations. The fifth stream stems from strategic Management and draws on recent conceptualization about the role of relationship in value chains (Normann 1993). The sixth emerging stream draws on information Technology and examines the strategic impact that information Technology has on Relationships within the organization and between organizations (Scot 1991).

Coviello (1996) reviewed the multiple uses of the term Relationship marketing in marketing literature. The term is used as an elaborate form of database marketing;
Technology based tool used by firms to acquire and manage customers (Copulsky and Wolf 1990).

At the second level, Relationship Marketing is said to be focused on relationship between a business and its customer base with the emphasis on customer retention (Parvatiyar and Sheth 1994). Relationship marketing in this context excludes relationship with suppliers or other partners or non-business/social relationship.

At the third level, the relationship marketing is considered to be a form of “customer partnering” where as the buyer is “….involved in the design and development of the seller’s product or services offering” (Magrath and Hardy 1994) or where “working relationships” are established with the customer firms in a cooperative manner (Anderson and Narus 1990). This implies true interaction between the buyer and seller and reasonably symmetric and dyadic relationship between the firm and customer. This perspective focuses on relationships as core element of marketing; relationships which are based on promises, trust and personal interactions (Gronroos 1994; Ford 1984).

The fourth and the broadest level, definition of relationship marketing have been developed which operates everything from databases to personalized service, loyalty programmes, brand loyalty, internal marketing, personal and social relationships and strategic alliances (Gummesson 1994; Morgan and Hunt 1994).

4.3 WHAT CUSTOMER RELATIONSHIP MANAGEMENT IS ALL ABOUT?

According to Kotler, CRM principally revolves around marketing. It involves integrating information gathered from all the distribution channels and analyzing the data, with the help of IT, to understand customer behaviour. The continuous analysis and improvements over a long period of time should result in enhancing customer’s lifetime value with the firm.

4.4 IMPORATANCE OF CRM

CRM Customer Relationship Management is one of the newest innovations in customer service today. CRM stands for customer relationship management and helps the management and customer service staffs cope with customer concerns and issues. CRM
involves gathering a lot of data about the customer. The data is then used to facilitate customer service transactions by making the information needed to resolve the issue or concern readily available to those dealing with the customers. This results in more satisfied customers, a more profitable business and more resources available to the support staff. Furthermore, CRM Customer Relationship Management systems are a great help to the management in deciding on the future course of the company.

As mentioned, there is much data needed for the CRM system to work. These fields include the customer name, address, date of transactions, pending and finished transactions, issues and complaints, status of order, shipping and fulfillment dates, account information, demographic data and many more. This information is important in providing the customer the answer that he or she needs to resolve the issue without having to wait for a long time and without going to several departments. With just a few mouse clicks, a customer support representative for example can track the location of the customer's package or order. This is infinitely better than the cumbersome process of tracking shipments previously. Furthermore, the customer service representative will also be able to see the previous concerns of the customer. This is a great help especially if the customer is calling about the same issue since he or she will not have to repeat the story all over again. This results in less time in resolving the issue, thus, higher productivity of the support staff.

CRM Customer Relationship Management systems are also important to the top management because it provides crucial data like customer satisfaction and efficiency of service by the frontline crews. A piece of customer relationship management software will also be able to generate the needed reports for product development or new concepts. Furthermore, this system will also be a great help for the top management in deciding the company's future course of action, whether it involves phasing out one of the products on the shelves or making adjustments to one of the products sold.

The reports generated by CRM systems are also invaluable to your advertising and marketing planners, as they will be able to pinpoint which ideas works and which do not. Because of CRM systems, you will be able to release advertisements or plan marketing campaigns more in tune with your target market. This will also lead to more responses to your advertisement and a more effective marketing campaign. Successful integration of a
CRM Customer Relationship Management system in your company, however, might not be as easy as it seems. The following might give you an insight why CRM systems fail in some companies. Most companies fail to prepare for CRM systems. By this, I mean that most companies fail to integrate all the departments that need to share the information for it to be effective. Furthermore, CRM units scattered all over the company's departments is often more effective than just making one big CRM department. This will ensure that each department will get the information and data that they need.

A CRM system will also helps a lot in expanding businesses. As CRM systems are capable of handling enormous amounts of data, CRM systems also helps a lot in coping with the increased numbers of customers and data. If a Customer Relationship Management system is installed and properly utilized, it becomes sure that all data is maximized and used to ensure that business will be successful and their customers are lot more satisfied than before.

Here are some more important features of **CRM**:-

1. It permits a one to one marketing as compared to mass marketing.
2. It stresses commitment over flirting.
3. It helps disintermediation and delayed distribution aspects.
4. It helps reducing marketing cost significantly.

**4.5 Birth of Customer Relationship Management**

In this context, CRM came into existence in the late 1990’s. Although there is no clear definition of CRM, Jeffrey Peel, CEO of Quadriga Consulting, defined it as follows: (CRM) is about understanding the nature of the exchange between customer and supplier and managing it appropriately. The exchange contains monetary considerations between supplier and customer but also communication. The challenge to all supplier organizations is to optimize communications between parties to ensure profitable long-term relationships. CRM is a key focus for many organizations now as a shift away from customer acquisition toward customer retention and churn reduction strategies dictates a need for best practice CRM processes.
Customer Relationship Management can be understood as “an integrated effort to identify, maintain, and build up a network with individual customers and to continuously strengthen and network for the mutual benefits of both the sides, through interactive, individualized and value-added contracts over a long period of time. Relationship marketing can be considered as “an ongoing process of engaging in-operative and collaborative activities and programs with immediate and end-user customers to create or enhance mutual economic value at reduced cost. Very often firms are using relationship marketing as a marketing tool to retain their customers for long. It was a time when companies only think about mass-marketing, the time has changed drastically over last two decades. The term ‘relationship marketing’ was popularized by Berry (1993); he defined Relationship Marketing as “the process of attracting, maintaining and, in multi service organizations, enhancing customer relationships.

The term “relationship” is important, the term “management” is also important when defining CRM as it pertains to the organization’s ability to develop strategies that attract and retain customer. Management can be defined as the identification of prospects, selection and acquisition of relevant prospects, and development of the relationship; i.e., providing an increasing number of products and services that add value for the customer and are lucrative for the organization in the hopes of maximizing the profitable lifetime value of the relationship. Globalization has brought about increasing consciousness in customers. Consumers are becoming more demanding with competition and improved job opportunities, especially in the private sector, coupled with improved buying power.

Customer Relationship Management is process of storing and analyzing the vast amounts of data produced by sales, calls customer service centers and actual purchases, supposedly yielding greater insight into customer behavior. CRM also allows business to treat different types of customer differently in some cases, for instance, by responding more slowly to those who spend less or charging more to those who require more expensive handholding. (Wall street Journal, Eastern Edition, May 21, 2001, R6)

Trends in marketing toward building relationships with customers continue to grow, and marketers have become increasingly interested in retaining customers over the long run. Not surprisingly, many practical and theoretical models of customer retention have explored
satisfaction as a key determinant in decisions to keep or drop (i.e., discontinue) a given product or service relationship (Bolton 1998; boulding et al.1993; rust and zahorik 1993, rust, zahorik, keiningham 1995; zeithaml and parasuraman 1996) indeed, satisfaction measures have accounted for up to 40% of the variance in models of customer retention (Reichheld 1996). In this research, we seek to understand what other factors may influence the customer’s decision to keep or drop a product or service, over and above satisfaction.

Satisfaction has been defined by many ways by many researchers over the years. Most recently, oliver (1996) bring together these definitions in the following overall view of satisfaction: “satisfaction is the consumers fulfillment response. It is a judgment that a product or service itself provided a pleasurable level of consumption related fulfillment, including levels of under and over fulfillment.”

4.6 Why choose CRM?

CRM (Customer Relationship Management) software aids in increasing efficiency, serves to aid the sales department in all of its efforts, manages to boost sales, and fundamentally contributes to the overall development of the company. It also manages to work towards organizational goals. This is achieved through a concise study of potential customers. Their preferences are taken into consideration and used to coordinate and implement a customer centric business strategy that focuses primarily on the customer, yields to recording the importance of his ideas and suggestions and results in increased customer retention. The retained customers reduce the cost of sales in long-run for the business. This helps in increasing the profits of the business. Relationship management is very difficult to maintain in service industry. The Private sector Insurance companies are doing it with great zeal and motivation. They provide best of services to the customers promptly thus giving satisfaction to them. “Customer delight” is the new phenomena in customer relationship marketing. In private sector insurance company customer feel “moving to other insurance company is not worth the effort.”

The analysis of the insurance services offered in Indian has revealed that in the due course of time, especially after the insurance sector reforms, the insurance companies have
innovated and introduced a large number of schemes to suit the diverse needs of their customers. Technology up-gradation and automation especially in private sector insurance companies is the reason that insurance business has become highly competitive.

**Opt for CRM**

Why CRM? CRM solution helps to reduce the time required for sales cycles while hanging onto potential sales leads. Customer retention is also maximized. Sales orders and sales revenues increase as a matter of increased organization growth. CRM facilitates growth in that it aids the reduction of costs and the increased availability of information to the organization, which can be used according to customer information requirements. This information is increasingly important to an organization and can prove to make the difference between success and failure.

The application of CRM in insurance involves the following steps:

1. Identification of customer’s financial portfolio needs and wants.
2. Developing appropriate insurance services to meet customer’s needs.
3. Determining the pricing for the services so developed.
4. Setting up suitable distribution channels.
5. Advertising and promoting the product to existing and potential customer of insurance services.

**4.7 RELEVANCE OF RELATIONSHIP MANAGEMENT IN INDIA**

The development in Relationship Management emerged “in 1990’s. This has become an important tool because of competition, globalization and more knowledgeable customers. In the late eighties, early nineties, several management academicians, practitioners and thinkers began to popularize a concept called Relationship Management” that is oriented towards developing lasting relationship with clients.

The concept suggests that by better understanding customers on an individual level and by delivering to them information and products targeted to their specific needs, marketers can develop long term annuity streams that translate into worthwhile profits. A customer service is vital part of relationship marketing. High level of customer services
satisfaction forces vendors and buyer to leave high “switching costs”. Commitment is a key to market share retention, which is the result of effective relationship marketing. The recent interest in tying relations with customers has the effect of precluding competitors from gaining share. Relationship marketing is different from one to one marketing. The difference between ‘one to one marketing’ and relationship marketing’ is shown in (table 4.1) below:-

Table 4.1: Difference between ‘one to one marketing’ with relationship marketing

<table>
<thead>
<tr>
<th>One to One Marketing</th>
<th>Relationship Marketing</th>
</tr>
</thead>
<tbody>
<tr>
<td>❖ Focus on single sale</td>
<td>❖ Focus on customer orientation</td>
</tr>
<tr>
<td>❖ Orientation on product features</td>
<td>❖ Orientation on product benefits</td>
</tr>
<tr>
<td>❖ Short time scale</td>
<td>❖ Long time scale</td>
</tr>
<tr>
<td>❖ Little emphasis on customer service</td>
<td>❖ High customer service emphasis</td>
</tr>
<tr>
<td>❖ Limited customer commitment</td>
<td>❖ High customer commitment</td>
</tr>
<tr>
<td>❖ Moderate customer contact</td>
<td>❖ High customer contact</td>
</tr>
<tr>
<td>❖ Quality a concern of production</td>
<td>❖ Quality is the concern of all</td>
</tr>
</tbody>
</table>

Thus, relationship marketing is different from the old concept of marketing which used to be based more on increasing the customer base. Relationship Marketing is different from the old concept of marketing which used to be based more on increasing the customer base but it propagates ‘retaining the customers’. In fact, as per the pareto’s law 80% of the total sales come from 20% of the customer and thus, relationship management optimizes the resources.

4.8 BENEFITS OF CRM

The use of a CRM system will confer several advantages to a company:

1. Increase Quality and Efficiency
2. Decreased costs
3. Helps in taking effective Decisions
4. Increases the ability of Enterprise

Let's take a look at the advantages that a CRM or Customer Relationship Management system can bring.

- **Shared or distributed data**
  As companies realize that customer relationships are happening on many levels (not just through customer service or a web presence), they start to understand the need for sharing all available data throughout the organization. A CRM system is an enabler for making informed decisions and follow-up, on all the different levels.

- **Cost reduction**
  A strong point in Customer Relationship Management is that it is making the customer a partner in your business, not just a subject. As customers are doing their own order entry, and are empowered to find the info they need to come to a buy decision, less order entry and customer support staff is needed.

- **Better Customer Service**
  All data concerning interactions with customers is centralized. The customer service department can greatly benefit from this, because they have all the information they need at their fingertips. No need to guess, no need to ask the customer for the time. And through the use of push-technology, customer service reps can lead the customer towards the information they need. And, most of the time, the customer can do this on their own, as the CRM system (remember, the 3 P's) is more and more able to anticipate the need of the customer. The customer experience is greatly enhanced.

- **Increased Customer Satisfaction**
  The customer feels that he is more "part of the team" instead of just a subject for sales and marketing (the proverbial number), customer service is better, his needs are anticipated. There is no doubt that customer satisfaction will go up. If the products sold exceed the customer’s expectation, of course, no CRM system can help you with shoddy
products. In my opinion, the term satisfaction is a contaminated. Many companies think that if customers are satisfied that this is a good predictor for repeat business. However, this is not the case. Only delighted customers have a great level of loyalty.

- **Better Customer Retention**

  If a CRM system can help to enchant customers, this will increase customer loyalty, and they will keep coming back to buy again and again, hence customer retention.

- **More repeat business**

  The repeat business is coming from the delighted customers, who are turned from doubting clients into loyal advocates

- **More new business**

  If you are delivering the ultimate customer experience, this will seed the word-of-mouth buzz, which will spawn more new business.

- **More Profit**

  More business at lower cost equals more profit.

### 4.9 CRM Solutions: Business Benefits

The benefits of **CRM solutions** are multi-faceted and range from optimization of customer service response times and satisfaction to reduction of operational cost. Employees can manage their own plans online, employers can manage project schedules and organize employees remotely, travelers can get flight times and transportation updates automatically, and financial transactions are immediate and seamless. The goal of **CRM solutions** is to establish relationships with customers on an individual basis, and then use that information to treat different customers differently. The exchange between a customer and a company then becomes mutually beneficial.

CRM benefits are multiple, both (quantitative and qualitative) and as unique as the businesses using them. Any organization that suffers from information overload, whether it's keeping track of clients, transactions, or providing efficient customer service, will benefit from implementing a CRM Solution. CRM works to organize all aspects of the vendor like
customer relationship into one easily navigable format.

Small businesses suffering from large amounts customer paperwork due to things like credit cards and credit accounts can use Customer Relationship Management software to keep track of transactions, and link that to their inventory. Insurance companies can use CRM to identify a customer before the call is taken, and quickly access their purchase history as well as any previous customer service transaction notes, thereby saving time and money. Medium size businesses can integrate CRM solutions with their accounting records, automate quarterly customer reports and eliminate third party services. CRM can significantly cut the amount of outsourcing any business has to do for most aspects of Customer Relationship Management, and greatly reduce overhead costs.

CRM has also helped to increase access to and reliability of company, market, and client information. CRM solution enables investment firms to significantly increase investor activity by providing current and reliable investment information by including complete customer portfolio information online. Consumers are more confident and comfortable making purchases online because they are able to read and access product reviews. People get better medical care because health organizations have accurate and immediate access to drug and health information. The benefits of CRM solutions financially and service-wise, are both immediate and long-term for vendors and their customers.

CRM makes doing business online much faster and easier. Businesses small and large have found CRM solutions to be beneficial and essential to their success, growth, development, and return on investment (ROI).

More than just customer service, CRM combines all aspects of vendor/client relationships. CRM combines marketing, customer, and financial information so that management, salespeople, customer service, and also the customer can access the same information. CRM enables companies to automatically remind customers of billing and service requirements and helps in knowing that what other products a customer has purchased, and keep track of customer feedback in a detailed way. CRM integrates all these business functions together.
**Business benefits of CRM**

Implementing a Customer Relationship Management (CRM) solution might involve considerable time and expense. However, there are many potential benefits. A major benefit can be the development of better relations with your existing customers, which can lead to:

a. Increased sales through better timing by anticipating needs based on historic trends
b. Identifying needs more effectively by understanding specific customer requirements
c. Cross-selling of other products by highlighting and suggesting alternatives or enhancements
d. Identifying which of your customers are profitable and which are not

This can lead to better marketing of your products or services by focusing on:

- Effective targeted marketing communications aimed specifically at customer needs.
- More personal approach and the development of new or improved products and services in order to win more business in the future.
- Enhanced customer satisfaction and retention, ensuring that your good reputation in the marketplace continues to grow.
- Increased value from your existing customers and reduced costs associated with supporting and servicing them, increasing your overall efficiency and reducing total cost of sales.
- Improved profitability by focusing on the most profitable customers and dealing with the unprofitable in more cost effective ways.

Once your business starts to look after its existing customers effectively, efforts can be concentrated on finding new customers and expanding your market. The more you know about your customers, the easier it is to identify new prospects and increase your customer base.

Even with years of accumulated knowledge, there's always room for improvement. Customer needs change over time, and technology can make it easier to find out more about customers and ensure that everyone in an organization can exploit this information.
4.10 FOUR PHASES OF CRM

Phase 1: **Technology** – the automation of what had previously been handled manually, including the customer database and customer communications.

Phase 2: **Integration** – organizations start to direct their operations toward providing customer satisfaction and create links between various operating sections that share information and facilitate customer service.

Phase 3: **Process** – organizations begin to restructure themselves around their customer relationships, rating their efficiency on the degree of customer satisfaction created. This is the current phase of CRM.

The fourth phase of CRM that we’re now entering is called ‘**customer-driven CRM**’. Customer-driven CRM systems require a business to first understand its customers, then to design systems and infrastructure that will provide them with exceptional and satisfying experiences both during and after purchase.

4.11 ELEMENTS OF CUSTOMER RELATIONSHIP MANAGEMENT

1. **CUSTOMER SERVICE:** People are developing long-lasting and close relationships with the business. They keep on going to the same business not only because the products are offered at great prices, but more likely the customers feel welcome when they enter the branch, or they feel comfortable dealing with the staff. That is what makes the relationship-based management different. The principle that underlies the relationship management represents the essence of marketing, with its focus on concepts like trust, commitment. The ultimate goal of marketing is customer satisfaction and this satisfaction is achieved through creating value for customers. The solid evidence of genuine relationship that exists between the customer and service providers is evident from the saying “my mechanic” or “my broker” etc. To do so, the service providers first accept throughout their entire organization that building relationships is important. They must also have an appreciation for difference between genuine customer relationship and those that are sustained through artificial means. They must gain a complete understanding of what relationship means from the customer’s
perspective. Only then the concept has any relevance, and only then there be likelihood of successful implementation of relationship-based marketing strategy.

It is very important to understand relationship as customer sees and defines it. Many firms feel that repeat buying means existing of relationships but it may not be correct. Marketing has become focused on customer satisfaction, customer service and value for long-term benefits of the company and the customer. Building long-term relationship with the customer requires a concentrated effort on the part of all employees and management to get to know what satisfies the customer and what the customer values.

If the company develops the systems of service delivery as per the expectations of the customers and inculcates the efforts by which the customer feels delighted, the customer is satisfied and is retained. Customer turnover is expensive because of the costs associated with the attraction of new customers and the employees’ time spent setting up new customer accounts and files and in getting to know them. It is also costly in the different way if dissatisfied customer leave and tell their friends and family members.

More and more companies are placing an emphasis on customer retention through superior services and increased knowledge about individual consumers. Technology, if used properly, can have a very positive impact on relationships with the customers. Technology will cut the time and cost of delivering superior customer services. Marketing today is all about increasing customer satisfaction. All employees must realize the benefits to the firm of long-term customer retention and recognize ways to improve their relationships with customer as they serve them. Marketing therefore is not a department but is state of mind. Barnes (2001), views first P as product or service as essence of what the company offers its customer. Second P as processes and systems that are essential to the effective provision of that core products and services. Third P as performance- what we offer to the customer and fourth P as people or the employees who provide them excellent customer service and the customers are satisfied with them. Many customers go back to a company time and time again because of how they are treated by employees.

The overall better customer service can be achieved through (a) People: Contact employees, Customer him/herself and other customers; (b) Processes: Operational flow of
activities, steps in process, flexibility vs. standards, technology vs. human; (c) Physical evidence: Tangible communication, service scopes, guarantees, technology (Bitner 1995). In relationship based marketing environment, the company must be focused beyond transactions, beyond making the sale.

There must be acceptance within the firm that every customer represents a potential stream of revenue and long term earning for a company. Customers who continue to do business with the firm for a long term are more profitable for many reasons. First, new customers cost money to recruit and serve because of start-up expenses associated with attracting them in the first place; secondly as customer become more comfortable with the company, they are likely to spend more money on additional products or services. They tend to give that company a greater share of their total spending in the product or service category; Third, Long term customers also refer friends and family to a business where they have been satisfied with the service and value received. The referral business represents a potential new stream of revenue for the company.

2. CUSTOMER RETENTION AND LOYALTY: Most people agree that achieving loyalty among one’s customers is a good thing. And having loyal customers will generally pay dividends down the road. Loyalty, like so many other concepts, is a state of mind. It is a subjective concept that is defined by the customers themselves. There are degrees of loyalty. Some customers are more loyal than the other one and customers may be loyal to some companies and less loyal to other. Some customers may be loyal to more than one company or brand within the product or service category. Very few people will be completely loyal to one product or brand to the point where it is the only product or brand they would ever patronize. But it is also possible to be loyal to a product or brand and have relationship with it yet visit it infrequently. Often longevity of customer patronage and repeat buying are used by businesses as proxies for loyalty. In other case the loyalty is equated with or even defined as percentage of total spending in the product or service category. However none of these in and of itself captures the essence of customer loyalty. It is quite possible for the customers to appear to be loyal and yet be poised to leave as soon as circumstances change.

The Various components of loyalty, time, continuity and duration of connection are indicators of loyalty, but, these are alone cannot lead us to conclude that a customer is loyal.
Spurious loyalty also exists between the transactions, where the customer appears to be loyal because they continue to do business with the firm, but these patterns of buying behaviour mask the reality. That reality is often defined by negative attitudes and feelings of frustration because customers despite the fact that they continue to buy, wish they could move their business elsewhere. Such customers are not loyal.

Another aspect of loyalty that demands attention is share of wallet. It is imperative to note the customers overall business for the products and services of the particular company, gives the assessment of customer’s loyalty towards the company. This does not the 100% loyalty towards the company, as this may only be situational loyalty. Loyalty may be eroded overtime. The customer may engage in partial defection. It is entirely possible that a customer maybe spreading his or her business around a number of companies, while the initial supplier remains under the erroneous belief that the customer is loyal. Another aspect of customer’s loyalty that is indicative of the existence of customer relationship is the willingness of the customer to recommend to friends, family members and associates. The customers who are satisfied to the point of being prepared to refer others to the company are demonstrating their loyalty. Satisfied customers will be more likely to tell others about their experiences and to recommend the business. Loyal customers want to see the business thrive to the point where they feel a sense of ownership towards the company. They feel comfortable making recommendations because they know that a friend or family member will not be disappointed. Thus loyalty for many people, operational zed largely in behavioural terms-longevity of the relationship, purchase pattern, frequency, share of spending, share of wallet, word of mouth, and so on.

A critically important aspect of customer loyalty that is often overlooked and seldom measured is the emotional connection between a loyal customer and the business. Customers who are genuinely loyal feel an emotional bond to the business. They often say, how the business makes them feel that keeps them going back, or they feel closeness to the staff that makes them feel about doing business there. This emotional bond is what keeps customers genuinely loyal and encourage them to continue to patronize the firm and to make referrals. For this reason, it is important for businesses to focus on how they treat their customers and
how they make them feel. Creating the right emotions and feelings is a critical element in the building of relationships.

To increase loyalty a business must increase each customer’s level of satisfaction and sustain that level of satisfaction overtime. To raise the satisfaction, the business needs to add value to what we offer the customer. Adding value leave customers feeling that they got more than they paid for or even expected. Adding value can be as simple as improving services with convenience and access. It can also include employee training so staff members are better able to answer customer’s questions and make recommendations for products and services that will satisfy the customer. By increasing the value there is more likely to increase satisfaction levels, leading to higher customer retention rate. When customers are retained and they feel good about the value and the service they are receiving, they are more likely to become loyal customers.

3. **CUSTOMER SATISFACTION:** Achieving the highest possible level of satisfaction is the ultimate goal of marketing. Much attention has been paid recently to the concept of “total” satisfaction; the implication being that achieving partial satisfaction is not sufficient to drive customer loyalty and retention. When customers are satisfied with how they have been handled during the purchase and how the product and service has performed, they are much more likely to come back to make additional purchases and to say good things to their friends, family members and associates about the firm and its products. They are also less likely to defect to the competition. Sustained customer satisfaction over time leads to customer relationships that increase the long-term profitability of the firm.

To satisfy customers, it is essential to understand what is important to them and then strive hard to meet, if not exceed, those expectations. It is also important for the marketer and those responsible for the customer service to have full appreciation for customer expectations and needs. It is through meeting and exceeding of expectations and addressing the customer’s needs that a firm produces customer satisfaction. To satisfy a customer and build a relationship, a company has to differentiate itself from the composition and add value every time the customer is served. The factors that drive satisfaction include value-added processes and services, technical performance of the product or services and certain aspects of the business providing it. More important than these drivers of satisfaction is the treatment the
customer receives while making a purchase or otherwise interacting with the business. The most intangible driver of satisfaction is often the most important in ensuring the complete satisfaction of the customer, that is, the emotion of the encounter-how customer feels.

One way in which the emotions are stimulated during the service encounter is through the creation of surprise. Normally the surprise is related with the positive experience and customer rates it as “pleasant” situation and is associated with “Wow!” experience. The customer is relieved, impressed, grateful and otherwise filled with emotions. (Berry and Parasuraman 1991; Zeithaml and Bitner 2000) gave the concept of “Zone of tolerance”. Essentially it is proposed that customer brings to a service encounter asset of expectations that are related to desired services- the level of service that customer hopes to receive and adequate service- the level of service that the customer is prepared to accept. Between these two levels of service lies the zone of tolerance. If the experienced or perceived service lies in this zone the customer is presumably be satisfied or the service will be deemed to be acceptable. If the service falls below the adequate service level, it will be deemed to be unacceptable and dissatisfaction will result. If the experienced service level exceeds the desired service level, the customer is likely to be quite satisfied or even DELIGHTED. (Barnes 2001) views the factors that contribute to a customer’s level of satisfaction with the service provision or with his/her dealing with an organization at five levels. Each level generally involves progressively more interpersonal contact with the employees of the service provider and consequently more of an affective or “feelings” dimensions to the interaction with the supplying firm.

These dimensions of satisfaction are given in “drivers of customer satisfaction model”. Each successive level in this model involves the satisfaction of progressively higher-order customer needs, and satisfaction of the customer at the lower levels of the model in no way guarantees satisfaction at higher levels. Level I – Core product or service: The essence of what we offer. In a competitive market place, the firm must get core right, if not, the customer relationship will never get started. Level II – support services and systems: This includes the peripheral and support services that enhance the provision of the core product or service (delivery and billing system, availability and access, hours of service, levels of staffing, communication of information etc. Level III - Technical performance: Adhering to
standards, delivering on time, living up to promises, and lack of product and process failure. Level IV – Elements of customer Interaction: Levels of personal service, attention, speed of service, general quality of the contact, how people are served and treated. Level V – The feelings and emotions that are communicated; essentially how we make them feel.

The customer satisfaction pays dividend in the form of greater share of spends and long term customer patronage and support and it leads to the development of relationships. Customer satisfaction can be achieved by focusing on satisfying higher-order customer needs. (Jones and Sasser 1995) conclude that the objective of the business is to turn as many customers as possible into “apostles” who are extremely satisfied with how they are treated by the company, demonstrate a high level of loyalty and become strong supporters of the company by remaining customer and spreading the word of mouth to others. (Fournier and Mick 1998) recently drew five particularly salient conclusions about customer satisfaction: (1) Customer satisfaction is an active, dynamic process; (2) the satisfaction process often has a strong social dimension; (3) Meaning and emotion are integral components of satisfaction; (4) The satisfaction process is context-dependent and contingent, encompassing multiple paradigms, models and modes; (5) Product satisfaction is invariably intertwined with life satisfaction and quality of life itself.

4. CUSTOMER DEFINITION OF VALUE: The concept of value is of critical importance to marketing success, an essential building block in the quest for customer satisfaction. It is value that drives customer satisfaction and help in the retention of customer. The creation and addition of value takes on many different forms as companies, both service and product based, try to increase customer satisfaction, loyalty and retention by addressing the issue of delivering value, but “adding-value” has become another important issue for the companies and the value is being added in the products or services by making it available at economical rates, timely availability and qualitative products. All these may represent value addition; but they are not.

The customer must be the final arbiter; the customer must determine whether he or she perceives value to have been added. If not he will not buy, unless value continues to be perceived and experienced, customers won’t be satisfied, and will drift away to the competition. (Abrat and Russel 1999) said key elements of the value package include
quality, features, branding, packaging and labelling, product safety, customer service and warrantees and guarantees. (Ziethaml and Bitner 2000) defined the value from the customer point of view and have said that the consumer define value in four ways; (1) low price; (2) whatever he want in the product or service; (3) the quality he gets for the price; (4) whatever he gets for whatever he gives. Value is a predictor of customer’s choice and loyalty. Buyers who are considering a purchase in a particular product or service category will scan their options and develop a consideration set consisting of all brands or models that they will consider purchasing. The customer will purchase the product or service that he or she perceives to deliver the most value (Gamble 1999).

The simple definition of value as what customers get for what they give is broad enough to allow for the incorporation of many different types of benefits and costs. The concept of “give vs. get” goes far beyond the basics of money and core products or service. The costs that the customer might give in the exchange situation with the firm include money, time, energy or effort and psychological costs. (Lovelock 1994) has added sensory costs putting up with noise, drafts, uncomfortable seats etc or other negative aspects of physical setting in which transaction takes place. For “adding the value”, from customer point of view, the companies are taking many steps. Different segments of the customers perceive value in different ways. Customers combine various elements of the value proposition in order to define the value from their perspective.

As a result, what is considered to be valuable or an important element of the value proposition by one customer is not considered valuable by another. (Conference board 1998) identified four sources of value: (1) Process optimizing business processes and viewing time as a valuable customer source; (2) People employees are empowered and able to respond to the customer; (3) Product / Service / Technology competitive features and benefits of products and services, lowering productivity interruptions; (4) Support being there when customer needs assistance. (Heskett et al 1997) talks about three key dimensions of the consumer value: (1) extrinsic value vs. intrinsic value; (2) self-oriented vs. other-oriented value; (3) active vs. reactive value. The other types of values most common with different customers are: (1) Product for price value- The customers compare the value of the product with the price of the product and shift to the competitor if they think that the producer is
charging more price than the value of the product; (2) Access or convenience value - this is created by being open for business when the customer is available, providing convenient locations, offering a variety of means to access services. This aspect of value creation is enhanced by technology through such services as Internet and shopping; (3) Choice based value- giving customers a variety of options in the selection available to them or in how they access those options creates value for them; (4) Employee based value- this form of value relates to the level and type of service a customer receives from the employees of a firm. Quality service will often bring customers back to the firm and this quality is often attributable to the actions and attitudes of employees; (5) Information value- Providing customers with more information can increase value for them; (6) Association value - customers sometimes derive pleasure and a certain amount of comfort from being associated with a certain service provider with whom they associate positive attributes or values; (7) Enabling value where consumption is valued for its instrumentality in serving as a means to accomplishing some further purpose, aim, goal or objective; (8) Relationship value - where customers will feel so close to the service provider that he/she will personalize the relationship with expressions like “my hairdresser” or “my mechanic”; (9) Customer-Unique value – by tailoring the service offering to the individual customer, a company sends all sorts of messages that the customer is noticed, that he is known and valued and that his business means something to the company; (10) Surprise value- this refers to the benefit that comes from surprising the customer with special treatment “wow!” experience. The service provider look for the opportunity to impress the customer with actions and programs that are unexpected and that sends the message that the company has notices and genuinely cares about meeting customer needs; (11) Community value- this refers to the contribution that a company makes to the local economy and communities in which it operates; (12) Memory value or experience value- this is the value created when the customer is involved in an event or experience that remains in his memory for many years.

The Nature of Relationship: The consumers always have close relationships with business entities, which they trust, with which they feel comfortable dealing and where they get something special from interaction. With such firms, customers develop a genuine relationship, an emotional bond or loyalty that stands the test of time. They keep going back,
not because they have to or have a financial incentive to do so, but because they feel rewarded in an emotional way.

The emotional component of relationship is currently missing from the relationship-marketing concept as described by many authors. Companies may indicate that they are customer-focused, that they want to get closer to their customers and they want to develop the relationship with their customers but they fail understand how customer is “made to feel” by the interaction. The company has the ability to arouse emotions in the customer because of the customer’s experience in dealing with the company. If the customer’s expectations are not met by the company, negative emotions are elicited and these take the form of anger, regret, frustration, humiliation or embarrassment.

The relationships are extremely complex entities that need careful management and demand skills from their participants at all times (Duck 1991). Relationships are a very complicated and prolonged process with many pitfalls and challenges. Relationships do not just happen; they have to be made-made to start, make to work, made to develop, kept in good working order and preserved from going sour. Relationships are at least not permanent stations or states so much as temporary transitions. Accordingly, once a relationship is formed, a great deal of effort must be expanded on maintaining it as a healthy, viable alliance. Relationship is not a continuous process; every interaction has the potential to change it. (Bennett 1995) discussed about few dimensions of relationship and goes on comment that likeability is closely related to sincerity, dependability, truthfulness, thoughtfulness and consideration, all of which are related to trust. Other factors commonly associated with attraction and attractiveness of a relationship partners are ease and frequency of interaction; propinquity-feelings of closeness, familiarity and nearness; similarity-processing similar values, attitude and perspectives; mutuality-sharing of goals and sense of “being in this together”; and interdependence-the sense of relying on the other party in order to achieve certain goals.

4.12 CRM INVADES THE INSURANCE SECTOR WITH AMAZING RESULTS

The current scenario in the insurance industry is a complex and competitive environment tinged with little stability. The major hassle the industry faces is obtaining
clients. This is due to the fact that the big fish in the insurance industry dominate the sector. It has become increasingly difficult for this particular sector to gain profits while curtailing costs. Acquisitions, mergers, have all contributed to the difficulty insurance agents and other professionals from this industry face.

Long considered a job only restricted to insurance companies, selling insurance policies has now become an option for banks as well. This has resulted in a lot of increased as well as unwelcome competition. Customers tend to lose out as they are not buying from the right provider. In addition to this the Internet has increased the pressure for insurance companies in capturing the market. All this has succeeded in making the insurance world more complicated.

What is required is a comprehensive database of information about customers who hold your insurance policies. The answer? Choosing a customer centric strategy can go a long way in achieving this. Customer Relationship Management holds the key. CRM helps insurance companies to ensure that the customer is understood better.

Right now insurers can achieve excellent policy administration; good billing systems etc but fall short on the customer front. However this alone is insufficient to survive on. Insurers have now realized that CRM is essential if they want to deliver high quality services since it satisfies current customers and gains new ones. This is because policies get sold only if relationships are built. CRM solves these problems with its user friendly, web-based CRM tools that increase sales opportunities.

4.13 CRM in Insurance sector

Insurance is a complex product where personalized service achieved through an intimate knowledge of customers and their histories with an insurance company- is critical to making sales. As insurance options broaden and products grow more complex, customers seek superior, personalized service more than ever. Most insurance companies understand the virtues of a single, complete, real-time enterprise view of individual customers, and they have made great progress towards providing this view at customer touch-points throughout the enterprise. But it’s critical to note that this view should not be regarded as an end in and of itself- rather, it is a rich foundation to be used as a basis for a deeper, more advanced level
of customer understanding. Customer Relationship Management is a comprehensive strategy and process of acquiring, retaining and partnering with selective customers to create superior value for the company and the customers.

In an organization relationships exist between employees, clients, customers, citizens and enterprise itself. An organization could succeed only if it implements the strategy of CRM in right manner. CRM helps businesses to use technology and human resources to gain insight into the behavior of customers and the value of those customers. There are many aspects of CRM which were mistakenly thought to be capable of being implemented in isolation from each other.

From the outside of the organization, a customer experiences the business as one entity operating over extended periods of time. Thus piecemeal CRM implementation can come across to the customer as unsynchronized where employees and web sites and services are acting independently of one other, yet together represent a common entity.

With the repeal of the Glass-Steagal Act in 1999, insurance companies face increased competition from banks and brokerages. With the enactment of the Patriot Act, insurance companies need to ensure that they “know their customers.” The situation grows even more urgent when one considers the bad economy that hurts investment income; as well as the extremely narrow window of time wherein an insurance call center representative, agent or broker holds a customer’s attention and a valuable opportunity to cross-sell or up sell. It is at this precise moment that these individuals have the chance to maximize these fleeting sales opportunities.

4.14 WHY OPT FOR CRM IN INSURANCE

- Insurance CRM decreases the time required to make product changes
- A holistic integrated customer view
- Targeted marketing
- Customer retention
- Increased growth
- Increased policy sales
- Increased insurance market share
- CRM Insurance integrates marketing with other operations
- Efficient distribution channels are secured
- CRM provides the chance to reduce operating expenses
- It provides for more effective and efficient communication
- It improves the response time
- It increases customer’s satisfaction
- Insurance application queries/claim status queries can be answered sooner
- It reduces the time that is normally taken for printing
- Policy mailing time is reduced
- It decreases overall costs
- Aids the call centre activities
- Insurance CRM guarantees lead management

### 4.15 BUSINESS DRIVERS FOR CRM

A couple of years ago, LIC dominated the insurance market with the help of its sales force and margins were reasonably high. Today, there are close to 20 companies offering both life and general insurance products. All of them have equally strong international and local partners; all are focusing upon similar geographies and target audiences.

The new firms selling life insurance and non-life insurance like pensions, insurance as saving, etc. There are several pain areas that new insurance firms face-acquiring new customers, retaining them, cross-selling products and controlling rising costs while providing comprehensive support.

Insurers have added a plethora of products and services to the kitty. These range from insurance as an investment option to pension plans. They target the younger generation in the 20 to 30 years are group. “The convergence of four factors –protection, saving, loans and pension has compelled insurance companies to align with banks in reaching out to a larger audience. This trend has led to another insurance companies are joining hands with banks by becoming channel partners for insurance. Customer expectations are rising: customers, faced with a dizzying array of insurance products expect customized offerings, value, ease of access, and personalization from insurers. Today, customers are expecting individual
attention, responsiveness, customization and access. So for these things the companies of General insurance have to adopt the various marketing strategies to attract the new customers and to retain with the existing one.

4.16 CONCLUSION

Customer Relationship Management is not of recent origin but it has been there since long ago. With the increase of competition, globalization of products and services and increase in consumerism, it is important for the firms to have competitive advantage so that they can meet the customer expectations well and can command the position of leader in the business scenario. The “Customer Relationship Management” is seen as the only tool for the survival in the business. The conditions that can be conducive for relationship growth like physical proximity, access; extent of personal contact; length of time invested; complexity of the task; ease of two way communications; added value through service; dealing with the same people; frequency of contact; perception of high risk; customer lack expertise; level of involvement; intimacy; etc should be chased by the companies so that profitability can be ensured and the most important objective of Customer Relationship Management is to retain the customer because the retained customer reduce the cost of sales in the long run for the business. Currently, the existing problems in the implementation of company’s CRM are obvious, so more and more insurance companies have realized the importance of customer relationship, but a perfect establishment of CRM also needs long-term efforts.
REFERENCES


• Qun Deng, “Customer Relationship Management in Ping An life insurance company of China `Ltd”.